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**Student Worksheet - Introduction to Transaction Analysis**

1. An example of an asset is:

a. A bank loan

b. Owner’s investment

c. A computer.

d. Depreciation

2. If you start a business and deposit $5,000 cash into the business’ bank account, what

is the effect on the accounting equation?

a. Liabilities are decreased and Owner's Equity is increased

b. Assets are decreased and Liabilities are decreased.

c. Assets are increased and Owner's Equity is decreased.

d. Assets are increased and Owner's Equity is increased.

**Solve the following:**

3. If Assets = $28,000 and Liabilities = $ 18,500, what is Owner’s Equity?

4. If Liabilities = $56,400 and Owner’s Equity = $34,350, what is the value of Assets?

5. If Assets = $85,000 and Owner’s Equity = $ 14,600, what is the value of Liabilities?

6. A company earns $500 for services rendered, what effects are there to the accounting equation?

a. Assets are increased by $500 and Liabilities are increased by $500.

b. Assets are decreased by $500 and Liabilities are decreased by $500.

c. Assets are decreased by $500 and Owner's Equity is decreased by $500.

d. Assets are increased by $500 and Owner's Equity is increased by $500.

7. When you charge a customer $50 for a service, the $50 is called a(n):

a. Revenue

b. Expense

c. Liability

d. Asset

8. If XYZ Corp. pays $800 in September for office supplies that are to be used for the

next three months, what category of account does the $800 purchase fall into?

a. A liability.

b. An asset.

c. An expense.

d. Owner's Equity.

9. During the month of October, XYZ Corp. uses $250 dollars of the office supplies it

purchased. Which of the following represents the $250 worth of supplies used?

a. An expense.

b. A liability.

c. An asset.

d. Owner's Equity.

10. Cars Galore pays their account with the local office supply store. What effect does

this transaction have on the accounting equation?

a. Increase an asset, increase a liability

b. Decrease an asset, decrease a liability

c. Decrease an asset, decrease owner's equity

d. Increase one asset and decrease another asset

11. When Cars Galore pays its employees their monthly commission, what effect does

this transaction have on the accounting equation?

a. Increase an asset, increase a liability

b. Decrease an asset, decrease a liability

c. Increase an asset, increase owner's equity

d. Decrease an asset, decrease owner's equity

12. A company buys a $25,000 truck with $5000 down and the remainder as a loan.

What is the effect on the accounting equation?

a. Assets increase $25,000

b. Liabilities increase $25,000

c. Assets decrease $5000

d. Assets increase $20,000

13. Cash dividends are declared and paid to the stockholders of the corporation. How will this transaction affect the components of the accounting equation?

a. Decrease an asset, decrease equity

b. Decrease an asset, decrease a liability

c. Increase an asset, increase equity

d. Increase one asset and decrease another asset

14. Purchasing supplies for cash will have what effect on the components of the

accounting equation?

a. Increase cash and decrease equity

b. Increase cash and increase supplies

c. Increase one asset and decrease another

d. Increase an asset and increase equity

15. You are given the following information: Assets = $16,000, Revenues = $5800,

Expenses = $2250, and there have been no drawings for the period. What is the effect

on Owner’s Equity?

a. It increases by $5800

b. It decreases by $2250

c. It increases by $3550

d. It equals $12,450